

Message Text

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ACTION COME-00

INFO OCT-01 ARA-16 ADP-00 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 PA-03 PRS-01 USIA-15 STR-08

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FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 2670

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FOR COMMERCE

SUMMARY

RAPIDLY MOUNTING COSTS HAVE PROMPTED TERMINATION BY THE JAMAICAN GOVERNMENT OF SUBSIDIES ON SEVERAL FOOD ITEMS AND ANIMAL FEED. BASIC FOODS, INCLUDING CONDENSED MILK, BREAD AND EGGS REGISTERED SHARP PRICE INCREASES WITH MORE TO COME

1. MINISTER OF INDUSTRY AND COMMERCE P.J.PATTERSON AUGUST 14 ANNOUNCED THAT GOVERNMENT SUBSIDIES ON A VARIETY OF FOOD ITEMS AND ANIMAL FEEDS WERE BEING REMOVED AS TOO EXPENSIVE FOR THE GOVERNMENT TO CONTINUE. PRODUCTS WHICH LOST DIRECT SUBSIDIES INCLUDED CONDENSED MILK, BAKING FLOUR, CODFISH AND ANIMAL FEED. SINCE BEGINNING THE SUBSIDIES IN APRIL OF THIS YEAR, J\$4.7 MILLION HAS BEEN SPENT IN ORDER TO HOLD DOWN RETAIL PRICES. THE GOJ ESTIMATED THAT, IF ALLOWED TO CONTINUE, THE ANNUAL SUBSIDY BILL WOULD HAVE TOTALED ABOUT J\$19 MILLION

2. ELIMINATION OF SUBSIDIES WILL CAUSE SOYA MEAL TO JUMP FROM J\$170 TO J\$480 PER TON. WHEAT WILL INCREASE
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FROM J\$110 TO J\$190 PER TON WHILE CORN WILL MOVE FROM

J\$102 TO J\$114 PER TON. INCREASED RAW MATERIAL COSTS RESULTING FROM LOSS OF SUBSIDIES AND GENERAL INCREASES IN IMPORTED COMMODITY PRICES WILL PUSH UP RETAIL PRICES OF FRESH AND CONDENSED MILK, BREAD, POULTRY, EGGS, PROCESSED PORK PRODUCTS AND SOME BEEF CUTS. REPRESENTATIVE PRICE JUMPS ARE 21 PERCENT FOR CONDENSED MILK, 20 PERCENT FOR BREAD AND 44 PERCENT FOR BAKING FLOUR

3. MR. PATTERSON ATTRIBUTED THE COST-OF LIVING INCREASES TO WORLD-WIDE COMMODITY SHORTAGES, WHICH HAS RESULTED IN THE UPWARD SPIRAL OF FOOD PRICES. HE CALLED UPON THE PEOPLE OF JAMAICA TO RECOGNIZE THAT THESE INCREASES, WHILE REGRETTABLE, WERE INEVITABLE SINCE JAMAICA IMPORTS THE BULK OF ITS ANIMAL FEED AND MANY FOOD ITEMS. HE SUGGESTED THAT JAMAICANS RETURN TO HOME GARDENING, MORE PRACTICAL BUDGETING AND MEAL PLANNING AS WELL AS CONSUMPTION OF JAMAICAN GROWN FOODS TO HELP MODERATE THE EFFECT OF THE LATEST ROUND OF PRICE INCREASES

4. THE GOJ CAREFULLY PRIMED THE GENERAL PUBLIC FOR SEVERAL MONTHS ABOUT THE INEVITABILITY OF PRICE INCREASES AND HAD, IN FACT, PREVIOUSLY ANNOUNCED THAT THE SUBSIDIES WOULD END ON AUGUST 1. AT THE SAME TIME GOVERNMENT OFFICIALS HAVE BEEN ATTEMPTING TO AMELIORATE RETAIL PRICE INCREASES BY FORCING DOWN PROFIT MARGINS WHERE POSSIBLE ON PRICE CONTROLLED FOOD ITEMS. THE REMOVAL OF SUBSIDIES ON ANIMAL FEED BECAME EFFECTIVE AUGUST 15. FARM LEVEL PRICE INCREASES FOR FRESH MILK, POULTRY AND PIGS FARMERS SELL TO PROCESSORS WILL NOT BE ALLOWED TO JUMP SHARPLY. AUGUST 17 THE GOJ ANNOUNCED THAT FARM AND RETAIL PRICE HIKES WILL BE PHASED OVER A SIX WEEK PERIOD. TO SOME EXTENT FARMERS WILL BE CAUGHT IN A COST/PRICE SQUEEZE UNTIL THE PERIOD IS OVER

5. IN A SEPARATE BUT RELATED ACTION -- TWO UNIONS, ONE REPRESENTING THE BAK

INDUSTRY AND ONE REPRESENTING
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LOCAL GOVERNMENT OFFICIALS--CALLED FOR FIFTY PERCENT HIKES ABOVE EXISTING WAGE LEVELS IN ORDER TO MEET RECENT COST-OF-LIVING INCREASES. ORGANIZED LABOR CAN BE EXPECTED TO CALL FOR LARGE WAGE HIKES IN OTHER SECTORS OF THE ECONOMY. HEWITT

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